KING SABATA DALINDYEBO MUNICIPALITY

BUDGET AND TREASURY DIRECTORATE

DEBT SETTLEMENT INCENTIVE POLICY

2018-2019

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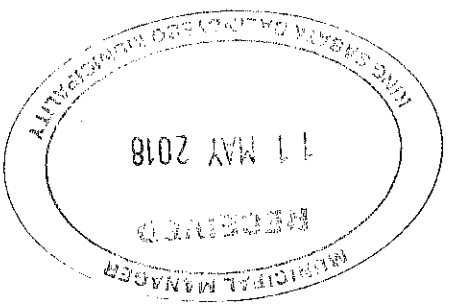

1. BACKGROUND

- The domestic debt has been growing at an alarming rate despite implementation of the debt and credit control policy.

- The municipality is still to attach the properties for non-payment of debt in line with the municipality's bylaws.

- A number of consumers have defaulted on their arrangements as such the normal agreements are not effective hence the need to introduce incentive schemes.

- The policy also aims to promote the Municipal Systems Act 32 of 2000, Sec 97(F) which relates to the extension of time for payment of services. The main focus of the policy is to institute incentive schemes to encourage prompt payment of debtor accounts.

- This policy shall become effective only upon approval by Council at the request of the Chief Financial Officer.

2. OBJECTIVE OF THE SCHEME

- To outline the parameters, criteria and procedures within which arrear debts of the participants to the scheme is written-off in exchange for prompt and timeous payment of future accounts rendered by the Municipality.

- The purpose of the policy is to encourage the residents of KSD to pay for services and also to promote the culture of payment amongst its citizens.

- The policy also aims to promote the Municipal Systems Act 32 of 2000, Sec 97(F) which relates to the extension of time for payment of services.

- The main focus of the policy is to institute incentive schemes to encourage prompt payment of debtor accounts.

3. SETTLEMENT DISCOUNTS ON ARREAR ACCOUNTS

3.1 SETTLEMENT OF ARREAR ACCOUNTS

- 5% discount upon payment of 25 % of the outstanding debt.
- 10% discount upon payment of 50% of the outstanding debt
- 15 % discount upon payment of 75% of the outstanding debt.
- 20% discount upon full settlement of the outstanding debt.

Special settlement discount of 50% that will only be approved by the council once in five years. However the property will not be transferred within a period of 12 months.

3.2 EARLY SETTLEMENT OF CURRENT ACCOUNT

- 10% discount allowed on early settlement of current account (Current paid on or before the due-date.)

3.2. QUALIFICATION CRITERIA

- Settlement discount applies to domestic debtors
- The debtor to honour / pay the current account to ensure that the debt does not increase.
- The debtor not to default on the arrangement
- The arrear debt must with regards to the 30th June of each financial year.

3.3 DISQUALIFICATION (50% = not in the same Financial year)

- Transfer of properties (clearing the accounts before transfer).
- Commercial / business debtors do not qualify.
- Institutions and government debtors
- Consumers utilising domestic premises to operate businesses. (Dominant use versus zoning)
- Consumers that are in a process of selling their properties and that are applying for rates certificates. However the property will not be transferred within a period of 12 months.

4. BENEFIT TO COUNCIL

- The arrear debt that has been growing over a number of years will decrease significantly
- Improved cash flows will improve the liquidity of the municipality and thereby allowing municipality to finance service delivery projects.
- The municipality could increase reserves for asset replacement and budget for repairs and maintenance
- Promotes sustainable and reliable revenue for the Council for future years.

5. CONDITIONS APPLICABLE TO THE SCHEME

- Participant to promptly and timeously pay six (6) consecutive months account rendered. The account must be paid before or on due date.

- Participant to honour the acknowledgement of debt agreement entered into for the debt not identified for write-off, failing which it invalidates the application on the Incentive Policy.

- The incentive is limited to once to participants who have benefited from the scheme.

6. PUBLICATION OF THE INCENTIVE SCHEME

The incentive scheme will be advertised in different mediums - newspapers, road shows and through the monthly statements.

7. PROCEDURE TO BE FOLLOWED

- Outstanding balances be capped / capitalised not to attract interest during the period of arrangement (six months) in line with the King Sabata Dalindyebo Municipality.

- Consumers who want to participate on the scheme to apply and sign an agreement with the municipality.

- Service level agreements to between the municipality and the consumers be entered into.

8. PARTICIPANTS TO THE SCHEME THAT DEFAULT

- Participants, who default will not automatically be removed from the scheme, however their participation will be automatically suspended by the financial system that Council is using should they be in default for by two months or more.

- The participants, in order to be reinstated on the Incentive Policy, must pay all outstanding amounts from the last account which was paid.

- The incentive portion will only be affected if the participant has fully complied with the said conditions referred to in Section 3.2 of this scheme.

- Participants who default on a regular basis will at management's discretion be removed from the scheme and normal credit control actions in terms of the bylaws will be instituted.

9. REVIEW

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulations.

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Z.H NGOVELA
ACTING MUNICIPAL MANAGER

RESOLUTION NUMBER: ORD 313/05/18